



State of Utah

DEPARTMENT OF COMMERCE Committee of Consumer Services

Minutes of the Meeting of the Committee of Consumer Services held
in the Heber M Wells Building, Salt Lake City, Utah 18 July 2006

Dee Jay Hammon called the meeting to order at 9:30 a.m. in 210, 1st floor, Heber M Wells Building, 160 East 300 South, Salt Lake City, Utah.

Members of the Committee in Attendance:

Dee Jay Hammon
Franz Amussen

Andrew Riggle
Betsy Wolf

Kelly Casaday

Staff in Attendance:

Dan Gimble
Cheryl Murray
Ronnie Drake

Paul Proctor
Kevin Hale
Chris Keyser

Reed Warnick
Eric Orton

Members of the Public in Attendance:

Carol Hunter
Richard Walje
Sarah Wright
Ryan Atkinson

Dave Eskelsen
Gary Robinson
Mark Moench
Kent Bateman

Delynn Fielding
Mike McCaudless
Dave Anderton

1. Administrative Matters

1.1 Welcome and Apologies for Absence

Dee Jay welcomed all those in attendance and excused Robert McMullin.

1.2 Date and Location of Next Committee Meeting

The tentative date scheduled for the next Committee Meeting is 12 September 2006.

1.3 Approval of Minutes from Prior Committee Meetings

The Committee Members will review prior Meeting Minutes and approve at the next Meeting.

1.4 Introduction of New Committee Members

Robert McMullin will replace Kent Bateman and Andrew Riggle will replace Ryan Atkinson as new members of the Committee.

- 1.5 Update on Search for New Committee Director
The Search Committee will be meeting August 4th 2006.

2. Public Comment
No public comment put forth.

3. Electricity

- 3.1 Utah Power Name Change—Rocky Mountain Power—Presented by Rich Walje
A letter was sent to all customers notifying them of the name change from Utah Power to Rocky Mountain Power. Also, radio commercials, press release, newspaper articles, etc. have been used to notify customers of the name change. Rich Walje explained that the reason for the name change was to give the same roll-out for three states: Idaho, Wyoming, and Utah.

- 3.2 PacifiCorp 2006 Rate Case
PacifiCorp filed for a \$194 million rate increase in March. The Committee and Division of Public Utilities audited the Company's records. The Committee has done a thorough analysis of the PacifiCorp filing. The Utility is embarking in major capital expansion. With the growth in Utah and throughout other parts of its system, PacifiCorp, Committee, and the Division feel expansion is necessary. The expansion will be with the generating, transmission, and distribution capabilities. Negotiations are ongoing and decision items will be discussed in the closed meeting.

- 3.3 Status of New Generation Resource RFP's
PacifiCorp's (Company) proposed benchmark resources for its RFP 2012 are as follows: for 2012, Hunter Unit 4, 600 megawatts supercritical coal generation plant and Intermountain Power Plant (IPP) Unit 3, 340 megawatts subcritical coal generation plant (could be changed to a supercritical plant); 2013, Bridger 750 megawatts supercritical coal plant; and 2014 an Integrated Gasification Combined Cycle (IGCC) resource between 250 to 600 megawatts. The Company seeks to acquire 1775 megawatts through this RFP. Minimum bids of 100 megawatts of dependable capacity and a minimum term of ten years will be accepted. Bids will be compared against the benchmark in the selection process. The RFP also has a category for bids of smaller resources such as distributed generation and load curtailment.

4. Natural Gas

- 4.1 GSS/EAC Rates -- Gary Robinson & Delynn Fielding gave presentations. In the mid 1980's, Mountain Fuel Supply Co. (Questar Gas) wanted to expand its business outside the Wasatch Front. The rates they were allowed to charge were not adequate to cover the additional expense of running pipes to remote rural areas. So, the Company asked the Commission to let them charge the

new customers for ten years twice what the regular general service (GS) customers pay. It was approved by the Public Service Commission.

Questar again wanted to expand their business; however, this time to expand a ten year recovery was not adequate, so the Company asked for a 20 year recovery. It was approved by the Public Service Commission. Both sets of customers were charged these new rates and classed as "GSS."

Then, when the next expansion opportunity presented itself, even 20 year recovery was not enough. So, Questar came up with the idea that it would figure out how much it would cost and loan the money to the community, with the community paying back the loan over time in their gas bill. This worked for opening up many new rural areas of service (EAC = Extension Area Charge).

Now Questar has realized that its calculations were faulty, insomuch that some of these areas will never be able to repay the loan. So, Questar wants all residential class customers to assume the loan.

4.2 Conservation Enabling Tariff

4.2.1 Contract Amendment

Causey Engineering Consultant Tom Norris has decades of experience as a design-engineer and as Vice-President of a major pipeline company. His expertise has proven invaluable to the Committee investigations in cases such as the CO2 plant and Questar Pipeline's Southern System Expansions. Due to ongoing work needed on the Southern System Expansion, the Questar Pipeline P-1 tariff, and the current CO2 case, which is before the Utah Supreme Court, Causey Engineering Services are still needed.

Therefore, it is proposed that we amend Causey Engineering contract. Franz Amussen motioned to approve the extension of the termination date to 14 June 2007 to allow Causey Engineering to continue to assist the Committee with Questar Gas Company. Andrew Riggle seconded the motion and it passed unanimously.

5. Public Outreach

5.1 Committee Newsletter

The purpose of the Quarterly Newsletter is to educate constituents on current utility issues. The newsletter will be sent out to 49 legislators, AARP, Utah Farm Bureau, League of Women Voters, Chamber of Commerce, Manufacturer's Association, Petroleum Association, SL CAP, Utah Rural Electric, and Women's State Legislative Council. The newsletter will be accessible on the Committee of Consumer Services Web site. Also the Committee will disburse newsletters through the Public Library System. The printing and mailing of the

newsletter will cost approximately \$110. As time continues the newsletter may expand, bringing increased costs.

5.2 Meetings with Constituency Group

Staff met with the Utah Farm Bureau Federation and discussed the following issues: the PacifiCorp 2006 General Rate case, new Irrigator Load Study, Irrigator Load Control Programs, and newsletter articles. A follow-up meeting is planned for mid Oct.

Staff met with AARP (American Association of Retired Person) and discussed the following issues: the PacifiCorp 2006 General Rate Case and the Committee public visibility. The Committee will continue to discuss the rate case with AARP and Industrialists.

6. Lunch—Presentation of Service Awards to Kent Bateman and Ryan Atkinson

7. Closed Meeting: To Discuss Pending or Reasonably Imminent Litigation

Franz Amussen motioned that the Committee go into closed session to discuss pending or reasonably imminent litigation. Kelly Casaday seconded the motion and it passed unanimously.

8. Motions on Items Discussed in Closed Meeting

Franz motioned for the Committee to authorize Committee Staff to notify PacifiCorp/Rocky Mountain Power that the confidential rate increase prices effective 11 December 2006 and the confidential rate credit effective 11 December 2006 to the online date for the Lakeside Generating Unit is acceptable, subject and conditioned upon the staff concluding negotiations and reaching an agreement within the committee's criteria; (1) an explicit rate of return; (2) standards governing Rocky Mountain Power's distribution maintenance expenditures, including but, not limited to certain FERC accounts; (3) rate spread; (4) rate design. Betsy seconded the motion and it passed unanimously.

9. Other Business

No other business was put forth.

10. Closing Remarks

Kelly Casaday proposed that the meeting adjourn. The meeting ended at 3:00pm.